

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 L-03 COME-00 EB-07 IO-13 H-02

FEA-01 AGRE-00 CEA-01 CIAE-00 DODE-00 FRB-03 INR-07

INT-05 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01

SS-15 STR-04 ITC-01 USIA-06 PRS-01 SP-02 OMB-01 /099 W

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R 260830Z OCT 76

FM AMEMBASSY SANA

TO SECSTATE WASHDC 9419

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E.O. 11652: N/A

TAGS: ETRD, PFOR, US, YE

SUBJECT: REQUEST FOR INFORMATION ABOUT YAR BOYCOTT FOR PURPOSES OF
TAX REFORM ACT

REF: STATE 250007

1. RIBICOFF AMENDMENT TO 1976 TAX REFORM ACT SHOULD HAVE LITTLE
IMPACT UPON AMERICAN FIRMS OPERATING OR PLANNING TO OPERATE IN
YAR. EXCEPTIONS LISTED PARA 4(B) AND (C) OF REFTEL WILL
PERMIT GENERALLY UNINTERRUPTED BUSINESS CONTACTS BETWEEN US AND
YEMENI FIRMS. GIVEN SMALL AMERICAN FIRM INVOLVEMENT IN YAR AT
PRESENT TIME, US COMPANIES WOULD NOT SUFFER APPRECIABLY FROM
DEFERRAL OF US TAX PAYMENTS OR DENIAL OF FOREIGN TAX
CREDITS.

2. ANSWERS TO QUESTIONS RAISED IN PARA 5 OF REFTEL ARE AS FOLLOWS--

A. YES. SECTION 3(A) AND (B) OF REFTEL APPLICABLE. UNDER 1964
LAW DESIGNED TO BRING YAR TRADE PRACTICES IN LINE WITH 1951 ARAB
LEAGUE BOYCOTT DECISIONS, TRADE PROHIBITED WITH ISRAELI FIRMS OR
WITH FOREIGN COMPANIES HAVING ISRAELI SUBSIDIARIES.

B(1) -- LAW APPLICABLE TO ISRAEL SPECIFICALLY. IN THEORY, LETTERS
OF CREDIT MUST BE CHECKED THROUGH CENTRAL BANK TO INSURE NO BUSINESS

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DEALINGS CONDUCTED

STH BLACKLISTED FIRMS. EXEMPTIONS CAN BE
GRANTED FOR GOODS DEEMED IN 'NATIONAL INTEREST.'

B(2) -- YEMEN BOYCOTT APPLIES TO TRANSACTIONS DESCRIBED PARA
4(B) IN REFTTEL.

B(3) -- BOYCOTT NOT CONSISTENTLY OR RIGOROUSLY ENFORCED. AT PRESENT,
YARG DOES NOT REQUIRE SPECIFIC BOYCOTT LANGUAGE ON LETTERS
OF CREDIT OPENED FROM SANA. REGIONAL BANKS OPERATING HERE,
HOWEVER, USE PHRASES ON LETTERS OF CREDIT REQUIRED IN SOME
OTHER ARAB COUNTRIES BANNING SHIPMENT OF GOODS ON VESSELS CALLING
AT ISRAELI PORTS AND REQUIRING THAT NONE OF GOODS ARE ISRAELI IN
ORIGIN.

B(4) -- BLACKLIST APPARENTLY EXISTS BUT IS NOT ALWAYS UP-TO-DATE
AND IS NOT READILY AVIALABLE. LOCAL BUSINESSMEN UNABLE RECALL
ANY INSTANCE IN WHICH SANCTIONS APPLIED AGAINST ANY US OR FOREIGN
FIRM TO INSURE COMPLIANCE WITH BOYCOTT REGULATIONS.

B(5)-- AS NOTED PARA 2(A) ABOVE, INTERNAL AUTHORITY FOR BOYCOTT
DERIVED FROM 1964 LAW WHICH ESTABLISHED SMALL AND LARGELY
INACTIVE YEMEN ISRAEL BOYCOTT OFFICE IN MINECON. COPY OF THIS
LAW PREVIOUSLY POUCHED L/NEA NOVEMBER 1975.
SCOTES

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